



TIF & Tax Abatement 101 & Status Report City of West St. Paul

Jason Aarsvold– Ehlers

January 24, 2022



Redevelopment

“The most important investment you can make is in yourself”

---Warren Buffet



Why is Reinvestment Important

- Tax base
- Appearance / desirability (your brand)
- Housing Diversification
- Development of public infrastructure
- Stability (public safety)
- Sustainability
- Extends to success in other areas (i.e. private investment)

TIF and Increase in Tax Base

866% increase in market value overall upon completion

D istrict	O riginalM arket V alue	* Pay 2021M arket V alue	Percent Increase in V alue
TIF 1-2 Walmart	\$6,149,800	\$18,768,702	205.19%
TIF 1-3 Sherman	\$1,024,400	\$7,413,200	723.66%
* TIF 1-5 The Winslow	\$1,230,000	\$9,065,500	637.03%
** Town Center (Roers)	\$2,793,700	\$2,793,700	0.00%
** Kmart (Dominium)	\$3,899,304	\$3,899,304	0.00%
TOTAL	\$15,097,204	\$35,247,402	277.80%

* *Partial Value*

** *Under construction*

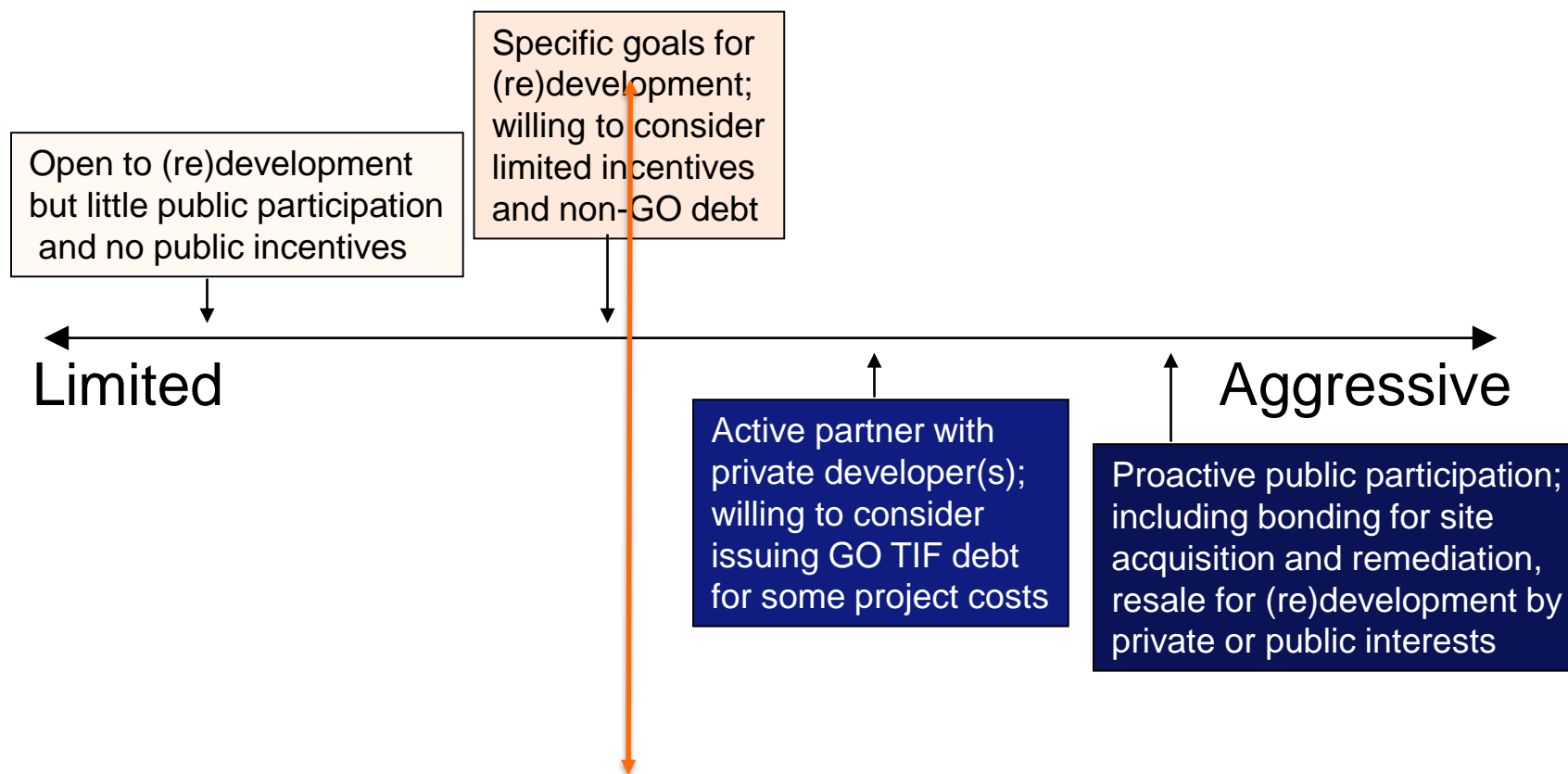
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TIF 1-3 Sherman	\$1,024,400	\$7,413,200	723.66%
TIF 1-5 The Winslow	\$1,230,000	\$20,920,600	1600.86%
Town Center (Roers)	\$2,793,700	\$24,795,000	787.53%
Kmart (Dominium)	\$3,899,304	\$58,950,000	1411.81%
TOTAL	\$15,097,204	\$47,102,502	866.70%

* *Shaded TIF Districts are expected value upon final valuation*



Spectrum of City / EDA Participation to Promote Reinvestment

Many potential (re)development approaches – just a few examples:





TIF AND ABATEMENT BASICS



TIF & Tax Abatement Basics

- Without TIF or tax abatement development wouldn't happen as proposed
 - ✓ But-for test (not required by statute for tax abatement)
 - ✓ Market value increase
 - ✓ Reasonably foreseeable future
 - ✓ Pro forma review
- Need for TIF & tax abatement is driven by
 - ✓ Market conditions
 - ✓ Affordable housing requirements
 - ✓ Required infrastructure and/or remediation
 - ✓ Site amenities
 - ✓ Underground parking
 - ✓ Quality of architecture and buildings
 - ✓ Total development costs

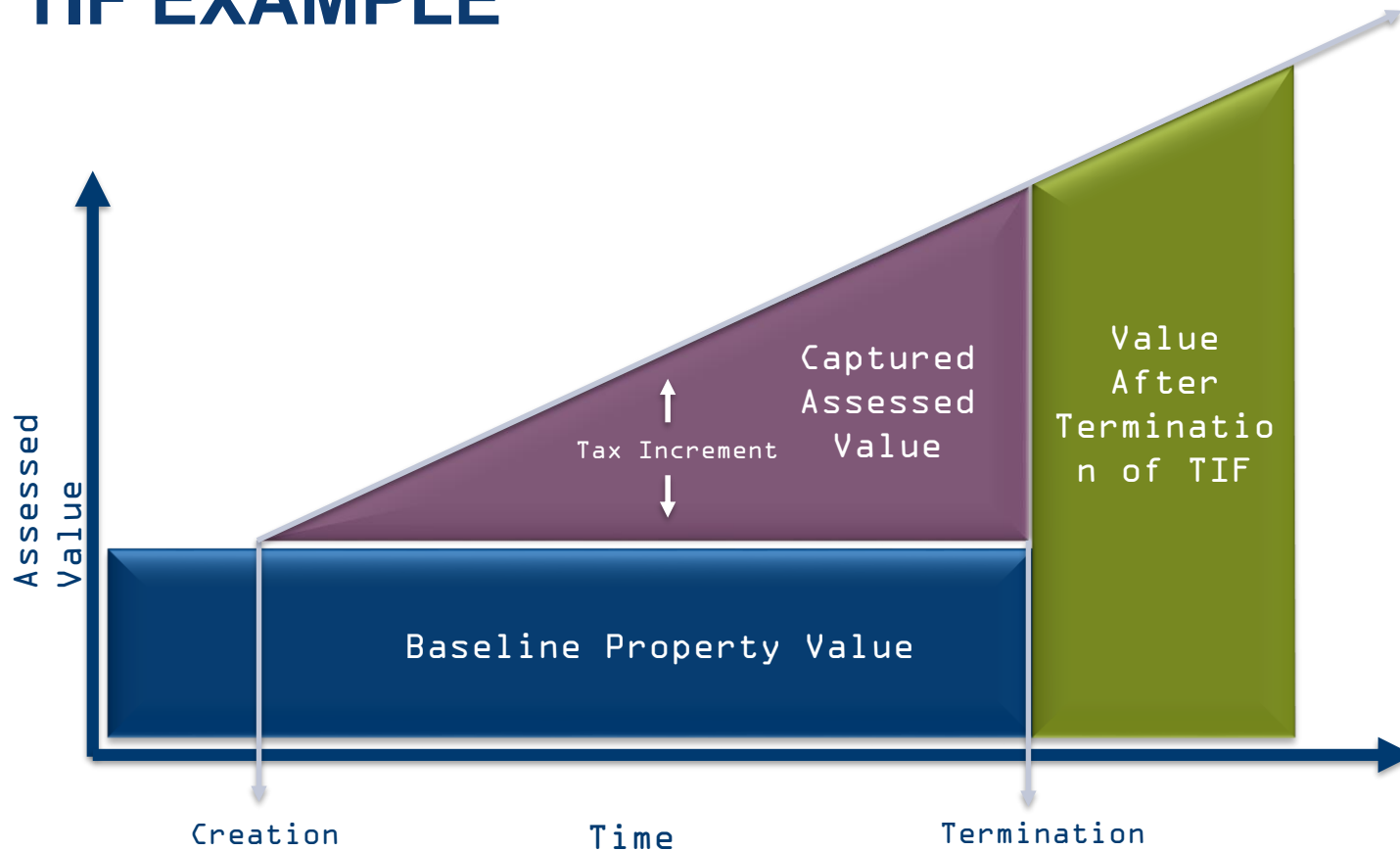


What is TIF and Tax Abatement?

- **TIF** = The ability to capture the **increased portion** of the local property tax revenues within a defined **geographic area** to assist with redevelopment and development
- **Tax Abatement** = The ability to capture and use **all or a portion** of the local property tax revenues within a **defined geographic area** to assist with redevelopment and development
- Most cities treat abatement **like TIF** and **only abate increased market value**



TIF EXAMPLE





Forms of Financing

1. Pay-as-you-go (PAYGO)

- Developer funds TIF-eligible expenses
- No risk to City
- Interest rate tied to developer financing

2. GO TIF Bonds (1 bond issue for TIF 1-2)

- Risk to City
- If TIF isn't adequate, the City will levy taxes to pay debt service
- Carries the lowest interest rate



Types of TIF Districts

Redevelopment

- Redevelopment TIF District (26 year maximum)
- Renewal and Renovation TIF District (16 year maximum)

Affordable housing

- Housing TIF District (26 year maximum)

Job and tax base creation

- Economic Development TIF District (9 year maximum)



When to Use Abatement

- Where TIF can't be used
 - Parks, Community Centers, Ice Arenas & Sports Facilities
 - Retail Development
 - ✓ To obtain restaurants
 - ✓ Renovation/repurposing of existing retail
 - Market Rate Rental
 - ✓ Developing on a “Greenfield” site
 - ✓ No income restrictions
-



Redevelopment

Tax Increment

- Coverage requirements
- Substandard building requirements
- Reasonable distribution of conditions

Tax Abatement

- No coverage or inspection requirements



Housing

Tax Increment

- Income test is main qualification
- Can include market rate housing to contribute TIF to affordable housing

Tax Abatement

- No income requirements



Geographic Areas

Tax Increment

- District must be in a project area, which sets boundaries for expenditures
- District defines parcels for capture of value

Tax Abatement

- Parcels with taxes abated must be identified
- No restrictions on area of expenditure



Maximum Terms

Tax Increment

- Redevelopment & Housing – 26 years
- Renovation & Renewal – 16 years
- Economic Development – 9 years

Tax Abatement

- Participation by all 3 entities – 15 years
- Participation by 1 or 2 entities – 20 years



Approval Process

Tax Increment

- Preparation of TIF Plan
- Notification to County and School District, but does not require approval from other jurisdictions
- City holds public hearing and adopts resolution with findings and approving a TIF plan

Tax Abatement

- Requires public hearing by each participating jurisdiction
- Each jurisdiction adopts a resolution with statement of public benefit and term of abatement



Maximum Use

Tax Increment

- No maximum on annual increment generated or number of Districts

Tax Abatement

- Maximum cannot exceed greater of \$200,000 or 10% of estimated net tax capacity



Restrictions on Use

Tax Increment

- Restrictions on use depending on type of District
- General governmental use is prohibited
- Recreational use is prohibited

Tax Abatement

- Few restrictions on use
- Can use on some governmental uses like parks, ice arena, sports dome
- Cannot abate taxes on a parcel in a TIF district



Use of TIF Admin Dollars (10% of TIF)

1. **Administrative costs** which include:
 - Staff time related to redevelopment and documented
 - Consultant time (Ehlers, TIF Attorney, City Attorney, others)
2. **Redevelopment costs** which can include:
 - Acquisition of blighted property
 - Rehabilitation of a blighted property for resale
 - Environmental remediation demolition
 - Public improvements related to a redevelopment project
3. **Affordable housing costs** which can include anything related to study, program development, development or rehabilitation of affordable housing



Number of TIF Districts

5 Active TIF Districts

- 4 Redevelopment
- 2 Housing

Category	1-2 (Walmart, Wentworth TH/Com)	1-3 (Sherman)	1-5 (The Winslow)	Town Center (Roers)	Kmart (Dominium)
District Type	Redevlopment	Redevlopment	Housing	Redevlopment	Housing
Project/Costs Financed	Acquisition and site preparation for Walmart, North Wentworth Town Homes and Commercial Strip	Acquisition and site preparation for 35 apartments and 9,000 sq/ft retail	Construction of 172 apartments affordable at 60% AMI and below	Cosntruction of 192 market rate apartments and 1,700 sq/ft of retail	Construction of 146 non-age restricted apartments and 247 sr. apartments all affordable to persons at or below 60% AMI
Approved	6/9/2003	9/27/2004	6/11/2018	8/31/2020	8/31/2020
Anticipated term	12/31/2030	12/31/2031	12/31/2035	12/31/2039	12/31/2039



Future Captured Tax Capacity in TIF

	Actual				Projected				
	20 18	20 19	20 20	20 21	2022	2023	2024	2025	2026
CDA TIF 14 ★	199,717	118,933	134,491	145,766	147,224	148,696	150,183	151,685	153,202
TIF 1-2 Wal mart	207,907	215,993	213,622	227,754	230,032	232,332	234,655	237,002	239,372
TIF 1-3 Sherman	79,284	79,923	85,495	91,028	91,938	92,858	93,786	94,724	95,671
TIF 1-5 The Winslow	0	0	140	104,099	105,140	106,191	107,253	108,326	109,409
Town Center TIF (Roers)	0	0	0	0	45,668	200,682	275,432	278,186	280,968
Kmart TIF (Dominion)	0	0	0	0	0	56,724	282,693	314,630	317,776
Captured TIF Tax Capacity	486,908	414,849	433,748	568,647	620,001	837,483	1,144,003	1,184,553	1,196,398
Total Tax Capacity (Gross)	19,139,486	20,297,891	21,985,058	23,378,205	24,746,207	24,993,669	25,243,606	25,496,042	25,751,002
Percentage of Tax Base in TIF	2.5%	2.0%	2.0%	2.4%	2.5%	3.4%	4.5%	4.6%	4.6%

Assumes 1% annual increase in tax base and TIF beginning in payable 2022

Comparable City	Pay 2021	City Tax Rate	City Bond Rating
	Captured TIF as a % of Tax Base		
Brooklyn Center	16.5%	66.260%	AA
Hopkins	10.2%	66.252%	AA+
New Brighton	8.9%	37.798%	AA
New Hope	5.7%	63.940%	AA
Richfield	9.7%	54.080%	Aa2
Robbinsdale	6.5%	52.143%	AA
St. Louis Park	11.6%	42.855%	AAA
South St. Paul	11.3%	63.388%	Aa2
West St. Paul	2.4%	69.427%	AA



Existing Obligations

Pay As You Go & Interfund Loan Obligations			
District	Note	Outstanding After 2/1/2022	Total By TIF District
TIF 1-2	Town Home	\$ 657,258	\$ 1,526,472
	Commercial	\$ 869,214	
TIF 1-3	Interfund Loan	\$ 1,071,943	\$ 1,071,943
TIF 1-5 (The Winslow)	Real Estate Equities	\$ 1,662,000	\$ 1,662,000
TOTAL		\$ 4,260,415	

47% of the obligations are within TIF 1-2

Bonds After 2/1/2022			
Issue	Outstanding Amount	Paying District	End Date
2015C GO Refunding Bonds	\$ 895,000	TIF 1-2	2/1/2031
TOTAL	\$ 895,000		

Tax Abatement Obligation After 2/1/2022			
Issue	Outstanding Amount	Paying District	End Date
Oppidan	\$ 500,000	N/A	N/A
TOTAL	\$ 500,000		

* Tax abatement note has not yet been issued



Let's Talk!

